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Brief Overview of Boca

The Boston Oil Consumers Alliance (BOCA) was born out of a 1981 community organizing campaign by group of grassroots affordable housing and energy activists. It was a time when home heating oil prices were skyrocketing, along with crude oil and gasoline, and these folks were concerned about both the financial impact on consumers of high energy prices, and the environmental impacts of high energy consumption. In the Boston area, fuel oil is the heating source for almost half of all households. Since the retail market for home heating oil has <u>always</u> been competitive and unregulated, our founders decided to create an oil-buying coop. They knocked on doors and signed up households. When they had 200 members, they started knocking on the doors of heating oil companies.

BOCA's programs have since expanded to include conservation education, low-interest loans for energy-efficiency, public advocacy, and a member-funded emergency Oil Bank. But our largest program throughout our history has remained the oil buying coop. The concept behind the coop is simple: by joining together, consumers have more leverage in negotiating price and service terms than they would alone. BOCA’s oil coop is open to anyone who uses heating oil, but targets its advertising and outreach to low and moderate income communities and minority and immigrant populations. Businesses, churches, nonprofits, and apartment buildings are also eligible to join. Over 6000 households and non-residential oil consumers now take advantage of BOCA's discount rates for home heating oil – which have run about 25¢ (30%) below the market price for the past two years.

So we have a long history as a successful aggregator of heating oil consumers. Once it became clear that the electric market was being deregulated, we began exploring the options for aggregating electric consumers as well. BOCA obviously has a wealth of experience to draw on, in the way of marketing, tracking and retaining members, negotiating good prices and service, offering customer service, and providing conservation, emergency assistance, and other related services. On December 1, we started up the first green electricity coop (and first residential electricity aggregation) in the country.

Our reasons for getting involved are twofold: (1) to promote green energy, and (2) to mitigate the impacts on residential consumers of a deregulation process that we fear will be harmful to households and other small consumers of electricity. Allow me to explain this last point.

Deregulation’s Impacts on Renewables

Deregulation is not a pro-consumer process. The so-called “Free Market” can be very costly to those without market power. The market can certainly not be counted upon to protect the environment.

It is often said that deregulating utilities and creating consumer choice will invigorate the market for renewable energy. But given the high costs of setting up and operating a brand new marketing infrastructure, plus a need for higher profits to compensate for higher risk, marketers will have to cut corners to be able to sell green energy at affordable prices. We already see the results, as green marketers repackage existing power at a premium, though it does nothing new to improve the environment, and though it has often cost less to generate. Worse, environmentally destructive large-scale hydro and even nuclear power are being marketed as "clean" by some creative souls. In a cutthroat market, how much money will be left for the development of new renewables?

Meanwhile, the impetus towards lower electricity costs for the large industrial and commercial users who have been the driving force behind restructuring may result in ongoing operation of old and dirty, but cheap, power plants. Lower prices for industry may also create disincentives for conservation.

I believe that the idea that deregulation will develop the renewable energy market is a smokescreen for a transfer of wealth from households and other small consumers of power to large users and utility companies. If sustainable energy was the true goal, more efficient ways of bringing it to pass would include direct incentives and/or regulation that would distribute the costs fairly, rather than depend upon a small portion of the market to bear the burden for benefits that accrue to everyone.

The Role of the "Aggregator"

Back to BOCA's role as an aggregator. Aggregation – and I want to emphasize that when I use the word "aggregator", which I have heard used in different ways, I mean "buyers group" – is an attempt to create some measure of market power for consumers who would otherwise have none.

However, aggregation is only an imperfect remedy for the absence of true popular control of the market-place. Alternatives – each with their own particular strengths and drawbacks – range from government regulation to actual social ownership, whether it be by a public, non-profit, or cooperative entity.

So, from our perspective, deregulation is not an opportunity – neither for consumers nor for the organizations that serve them – so much as it is a problem for which consumer advocates need to devise solutions. Ultimately, green energy advocates may need not only to educate consumers and support appropriate public policy initiatives and regulatory remedies, but also become involved directly in the marketplace to create new arrangements to achieve real environmental benefits at a reasonable price.

Basic Principles

Some of our basic principles as we've moved cautiously into the electricity arena have been:

> 1) **Real savings**. If we can't deliver savings, we won't market for affordability. We will instead educate people and provide the unbiased information they need, to choose a suitable supplier.

2) **A true "green" alternative**. Similarly, if we can't deliver what we feel is a legitimate renewable product, we won't market green energy. Again, we'll focus on education and consumer protection.

3) We will continue to advocate on the public policy level, and develop new programs, such as home energy conservation programs, to **promote energy-efficiency and renewables**.

We decided to begin with a "green electricity" coop. Why do green only, when our interests are not restricted to the green market? There are two reasons. First, Massachusetts retail electricity prices were set (temporarily) below the wholesale market price, precluding even the possibility of competition. Aggregating for savings is not an option and may not be for another two years or more. Secondly, our organization was not yet equipped to handle a project of this scope and scale. By aggregating "green" consumers in the meantime, we could both promote our environmental agenda and gain experience for the next step.

Setting it Up

As we looked around for models, the situation in California did not bode well. The first state to restructure, and the largest market in the nation, faced competition with a big yawn. There are still no aggregations there, at least as we define them, and the vast majority of the green power being marketed there has been roundly criticized for offering no environmental benefit.

We discussed ways, from distributed energy systems to a direct contract with a generator, that BOCA might be able to pull off this project ourselves, but we concluded that, to do it right, we needed a partner with more expertise and resources. Potential non-profit partners were not ready. So I called likely green energy suppliers. But those few who were considering selling to households in Massachusetts were not considering selling through an aggregation. Many suppliers are "marketing companies" more than electric companies. They do not view aggregators as "buyers", but as marketing subcontractors, and want to "own" the customers they pay for. One person I spoke with went so far as to claim that, by building a customer base, his company was an aggregator, too; there was essentially no difference between us and them. Of course, this problem is theoretical since, even after a year, there are still no marketers or suppliers willing to offer green electricity or any electricity to Massachusetts households.

One alternative was available, however, and that was AllEnergy's green "upgrade" product, ReGen. Consumers who purchase ReGen product make a payment that is in addition to, rather than a replacement for, their regular utility bill. We felt that this product, based on 100% new renewables, would provide a real environmental benefit at a reasonable price, and, because it isn't a switching product, would also protect consumers by allowing them to hold onto the discounts mandated by the Massachusetts deregulation law. We entered into negotiations with AllEnergy and got what we feel is a very good deal. Ironically, this exact arrangement could have happened without retail restructuring.

Marketing Efforts

To conserve our limited resources, we decided to market internally first, to members who trust us and are used to buying energy products through us. After that, we would reach out through other membership organizations we have close relationships with, and to the public, using free media. Consistent with our goals and mission, our marketing would be linked to, and secondary to, our educational efforts. Of course, the groundwork for marketing was laid well before our deal was made.

In the spring of 1997, we surveyed our members to assess their interest. A clear majority of our respondents stated that they care about how their power is generated and would choose green power at a $5-10/month premium. This sentiment was consistent with other research across the country, and supported by a marketing report prepared for us last spring. It was echoed in focus groups that we conducted in the summer of 1998. A direct mail fundraising effort last spring, emphasizing our green energy project, was also quite successful.

All the indicators were positive. By August, we were ready to ask our members for a preliminary commitment. We had been doing education on restructuring and green electricity through our newsletters for almost 2 years, including a special insert last spring. Now we sent a packet to 5000 members, including an excellent educational brochure provided to us by the Pew Charitable Trust, some of our own materials describing our intent to offer a green power product soon, and a postcard that members could return to pledge to "Go Green With BOCA". We got back over 1000 cards.

We signed our agreement with AllEnergy and launched the "coop" in December with a follow-up mailing to our green power pledgers, asking them to sign a participation agreement and start buying. We have continued our education efforts, try to be present at public events, and plan to do some follow-up telemarketing to unenrolled pledgers.

Results and Analysis of Market Barriers

We were breaking new ground and really did not know what kind of response to expect. After 5 months, we have 130 members paying for the upgrade. Is that good? I don't know. While we thought we had a basis for forecasting a much higher participation rate, in retrospect, our results to date are not surprising.

We have not yet performed a survey to assess the reasons for our members's reluctance to take part, even as they continue to respond generously when we ask for help for our development efforts. But I do have a good sense from dozens of long conversations with members who have called with questions. Overall, the greatest barrier seems to be a general public lack of understanding of electricity and its delivery from generator to consumer. The fact that ReGen is an upgrade, not a "switching product" – while good for consumers – only heightens the confusion. We know that the "good" electrons take the exact same path they would if the consumer bought directly from the generator, but this is a difficult concept to convey.

People ask: What am I getting? I still have to pay my regular electric bill? why am I buying my electricity twice? So this is just a donation to a for-profit company, right? They don't know how much to buy. And the fact that the renewable product is primarily generated by landfill gas throws us another curve. People picture incinerators, quite different than the windmills they had in mind. So we're educating about the cycles of money and electrons, about anaerobic decay, and about our billing system, as well as about the logic of our society's energy policy decisions and the need to clean up our approach to generating and using energy. That's all fine, but it's very labor intensive, and so very expensive, even with our low-key marketing approach. The good news is that once people decide to participate, they are sticking with it. Our attrition rate during our first quarterly renewal cycle was under 5%.

The same factors have impeded our efforts to garner media attention and make good on the potential of our relationships with other organizations. The story was too complicated for the broadcast media. We got a nice write-up in the Boston Globe, but it took a tremendous effort to convince an already very friendly reporter of the merits of the program, and the piece got us little in the way of new members.

Lessons and Conclusions for Aggregation Groups

1. Know your goals at the outset

- Why are you doing this? How will you define success?

2. Remember your goals as you proceed

- Don't compromise your ideals or mission to further participation or profitability.

3. Keep a consumer focus

- Protect your reputation by doing what you say you're going to.
- Make the term "aggregator" meaningful.
- Do what you have to in order to maintain consumer loyalty.

4. Provide your members substantial, honest education

- If your goal is a sustainable energy future, not only your effectiveness, but your credibility and reputation depend upon taking a holistic approach, including . . .

5. Public policy work is a necessary complement to your efforts

- Remember that meaningful environmental protection is driven almost entirely by government regulation and publicly funded benefits. Fight for legislation regarding disclosure, portfolio standards, funding for conservation and renewables, etc.
- You may have to fight for your organization's interests, too.

6. Maintain your independence

- Don't become over-dependent on or over-identified with your supplier(s).
- Monitor the value and quality of service your members receive.
- Your most valuable asset is your membership list. Protect it!

7. And, of course take steps to minimize your risk